

Santa Clara

City of Santa Clara, California



DATE: April 13, 2007

TO: City Manager/Executive Director for Council/Redevelopment Agency Action

FROM: Assistant City Manager

SUBJECT: **Proposed Date for Staff to Return with a Review of the Economic and Fiscal Impacts of a 49ers Stadium in the City of Santa Clara**

EXECUTIVE SUMMARY:

At the April 10, 2007 Council/Agency meeting representatives from the San Francisco 49ers and their economic consulting firm, CSL, International, presented their report titled: "Economic and Fiscal Impacts of the New State-of-the-Art Stadium in Santa Clara: New Home of the San Francisco 49ers". Council directed the report to Staff for analysis and comment and to return with a proposed date for Council's consideration of the Staff evaluation. In addition, some Councilmembers had questions pertaining to issues raised in a San Jose Mercury News article on the CSL report. The 49ers have submitted a response to Staff pertaining to these issues and a copy of that response is attached to this report.

Staff believes the most productive and informative evaluation should focus on the direct economic impacts to the City of Santa Clara as, to date, the only public financing proposed for the stadium is from the City. This will be a limited, focused evaluation that will not comment in any depth on county/regional benefits.

Staff would return to the Council/Agency at their June 5, 2007 meeting to present the evaluation.

ADVANTAGES AND DISADVANTAGES OF ISSUE:

It is important that the CSL report be analyzed and evaluated from the perspective of City of Santa Clara benefits and revenue enhancements. Limiting the review to City issues allows Staff to complete their analysis in a fiscally prudent, timely manner.

ECONOMIC/FISCAL IMPACT:

Council/Agency has appropriated funds to engage consultants in assisting staff in the evaluation of the 49ers economic and fiscal impacts study.

RECOMMENDATION:

It is recommended that the Council/Agency direct the City Manager/Executive Director to return at the June 5, 2007 meeting to present the Staff evaluation of the San Francisco 49ers report titled "Economic and Fiscal Impacts of a New State-of-the-Art Stadium in Santa Clara: New Home of the San Francisco 49ers."

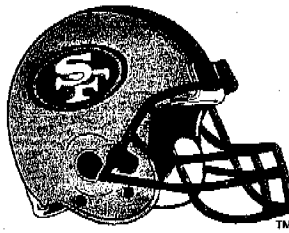
APPROVED:

Handwritten signature of Ronald E. Garratt.

Ronald E. Garratt
Assistant City Manager

Handwritten signature of Jennifer Sparacino.
Jennifer Sparacino
City Manager/Executive Director for Agency**Documents Related to this Report:**

1) 49ers response to questions raised by economists in the San Jose Mercury News.



SAN FRANCISCO 49ERS

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April 11, 2007

Carol McCarthy
Deputy City Manager
City Hall
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Carol,

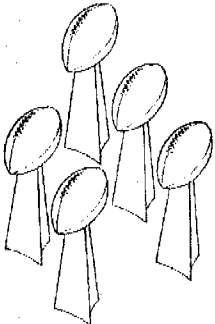
During the City Council meeting last night Councilmember Kolstad requested that our economic consultant respond to a number of questions raised by economists in the San Jose Mercury News. Attached are the answers that Mr. Rhoda provided to the Mercury News and he has added further explanation based on the discussion last night.

Sincerely,



Elisabeth Lang
Vice President of Communications

SUPER BOWL
CHAMPIONS
XVI, XIX, XXIII,
XXIV, XXIX



CSL Responses to Economics' Criticism of 49ers Analysis

- The report doesn't include margin of errors, which makes it hard to know how much the projections could be off by (Does CSL have that information?)

The majority of our analysis is based on the team's current operations and conservative estimates for future operations of the 49ers and new stadium. These estimates are consistent with the operations of other teams playing in new stadiums, based on our extensive experience with similar projects. In fact, we would expect the actual results to exceed our projections. The survey which was conducted at the stadium provides for a confidence level of 90% +/- 5%. The survey component is only one step in our evaluation and only a small % (approximately 10%) of the impact is associated with fan spending before and after home games.

- Although the report projects that folks attending games would spend money inside and outside the stadium, academic research shows that people have limited entertainment budgets and spend money on football tickets in lieu of other entertainment options, such as going to restaurants, bars, the movies or getting a movie rental.

You're talking about two very different entertainment budgets and choices. For NFL fans, our research shows that most ticket purchases are season tickets, usually in groups of two or four. That's a substantial entertainment investment by these fans that involves long-term planning, while a movie or dining out is more spur of the moment. In our experience, if season ticket holders no longer have the option to attend local games, they are far more likely to spend the money on other high-value entertainment options that require planning, such as a vacation or even becoming season ticket holders at distant venues, removing that money from the region. More importantly, fan spending is only one component of the economic impact associated with a sports franchise. In this specific case, less than 30% of the associated impacts on the City are related to fan spending.

- Some of workers filling construction jobs would probably have been working on another construction project elsewhere and the report doesn't include estimates of alternative jobs in the area -- which would impact the true number of new jobs created.

This project will provide work, on average, for 700 skilled individuals a year in the construction trades who would otherwise have to find other projects to work on. This ensures work inside their local market in addition to whatever other projects might be available locally. This project increases the demand for workers in Santa Clara. Also, as the need for skilled workers increases, the project would create additional demand for workers potentially increasing wages.

- The report seems to assume a "fully-stretched economy", in that all new dollars coming into the economy will result in companies hiring more workers, instead of making existing workers do more work. Why is the assumption of a fully-stretched economy reasonable?

The study assumes that some portion of these jobs are extending existing jobs, but by creating work that might not exist without this project. Under that assumption, it's reasonable to consider those as jobs created by the project.

- Many of the economic assumptions, including that only 10 percent of 49ers fans come from Santa Clara County, were based on interviews with 310 fans at two games in 2006. What is the sampling error from such a survey? Why didn't the 49ers add their own ticket data to buttress the assertion that 10 percent of fans come from the South Bay? How does the 10 percent figure square with assertions by the team that 30 percent of season ticket holders come from the South Bay? Are the 49ers trying to have it both ways?

CSL Responses to Economics' Criticism of 49ers Analysis

There are two different sets of numbers here – season ticket *holders* and game-day *attendees*. According to the team, South Bay residents make up about 30% of the holders. But holders don't necessarily attend every game – they often sell some of their tickets to people outside the South Bay. So the demographics of those attending a game (which we measured) can be different than those making the original season ticket purchase (for which the team has records). We conducted the study to insure we had accurate game day data, and it has a confidence level of 90% +/- 5%.

- How can figures for player salaries count as new spending to the economy. How is the stadium going to cause players, most of whom live in Santa Clara county, to relocate?

The study heavily discounts the impact of player salaries in the overall economic impact on the area, by around 80 percent. This is based on our experience with the spending patterns of professional athletes and on information provided to us by the team on where players currently live. Also, if the stadium is not built in Santa Clara, the team would reconsider the location of the headquarters which would impact where players live.

- The study asserts \$408 million in direct spending at 49ers games over the course of the season. Assuming every game was a sell-out, that would mean each fan would account for \$600 in direct spending for each game. How can that number reflect reality?

The direct spending figure accounts for all revenue sources for the franchise, including large sums related to TV and radio broadcast rights, advertising inside the stadium, and similar sources. Fan spending is just one component in this calculation.

- The report indicates that of the 85 percent of game attendees who come from outside San Francisco, about 18 percent of spend two nights in a hotel. The economist I spoke to said that it's implausible and it's even less likely they would do that in suburban Santa Clara. Any thoughts?

The study assumes only 20 percent of the hotel nights will be captured in the city of Santa Clara itself. It's important to remember, however, that each visiting team will account for up 150-200 rooms in the city for each home game. Because most teams come from a significant distance, they spend two nights here. That adds up to between 3,000 and 4,000 room nights a year. In addition, 20 to 25 members of the media who cover our home games usually stay one night, while an additional 20 media representatives of national TV and radio often stay more than one night.

- The report provides an estimate for full and part-time positions but does not define what this means.

The input/output model used for this project does not provide a specific allocation between full, part-time or season jobs. However, based on data provided by the U.S. Bureau of Economic Analysis, a part of the Department of Commerce, an appropriate factor to convert the job estimates into full-time equivalents ranges between 80 and 90%. Therefore, the FTE equivalent for the County would be approximately 1,800 to 2,000 FTE with an annual wage of between \$55,000 and \$62,000.